

Liquor Control

MISSION STATEMENT

The mission of the Department of Liquor Control (DLC) is to provide licensing, wholesale and retail sales of beverage alcohol products, enforcement and effective education and training programs while promoting moderation and responsible behavior in all phases of distribution and consumption. The department diligently promotes, enforces and obeys all laws and regulations governing beverage alcohol while generating revenue for the benefit of Montgomery County's General Fund.

BUDGET OVERVIEW

The total recommended FY07 Operating Budget for the Department of Liquor Control is \$34,561,040, an increase of \$4,598,040 or 15.3 percent from the FY06 Approved Budget of \$29,963,000. Personnel Costs comprise 64.7 percent of the budget for 262 full-time positions and 63 part-time positions for 342.1 workyears. Operating Expenses and Capital Outlay account for the remaining 35.3 percent of the FY07 budget.

The above projections and proposed expenditures form the basis for working capital decisions concerning the Liquor Enterprise Fund.

The following information is provided to facilitate County Council and public input for final County Executive decisions on the determination of adequate working capital within, and use of resources in, the Liquor Enterprise Fund and net proceeds to be deposited to the General Fund. Consistent with Article 2B, Section 15-207, the County Executive must make resource allocation decisions for the Fund.

HIGHLIGHTS

❖ *The Office of the Board of License Commissioners will reorganize and become a division within the Department of Liquor Control, which will consolidate services and more closely match the national model.*

❖ PRODUCTIVITY ENHANCEMENTS

-Continue to design and implement an enterprise-wide IT system that will centralize all business functions and improve customer service.

-Update the Board of License Commissioners website to include 2006 hearing dates.

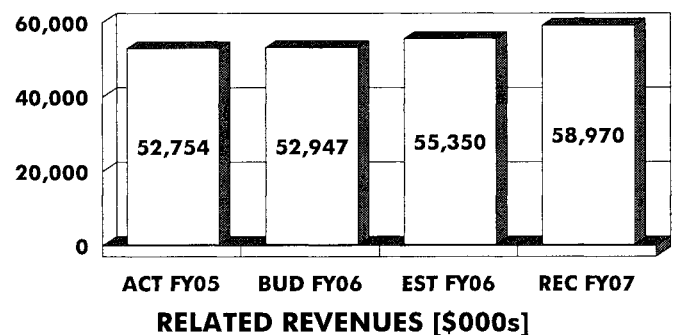
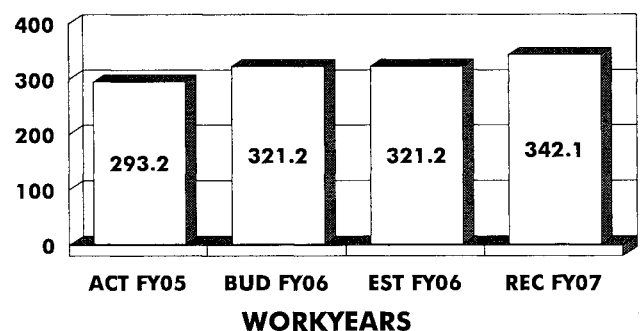
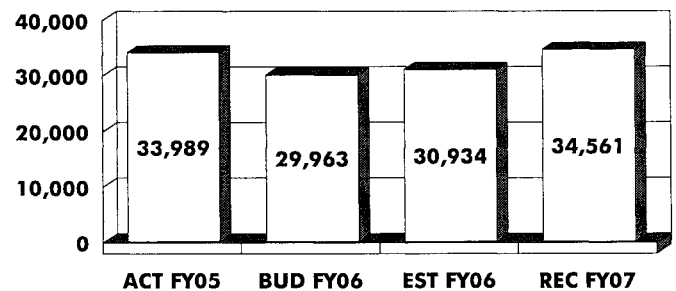
PROGRAM CONTACTS

Contact Lynn Duncan of the Department of Liquor Control at 240.777.1915 or Alison Dollar of the Office of Management and Budget at 240.777.2781 for more information regarding this department's operating budget.

Program Summary

	Expenditures	WYs
Warehouse Operations	6,131,740	57.2
Delivery Operations	6,258,720	84.0
Retail Sales Operations	15,350,990	150.6
Retail Contracted Operations	190,650	0.0
Community Outreach	223,250	2.0
Accounting and Inventory Systems	2,178,060	18.9
Information Management	2,411,170	14.6
Administration	769,160	2.5
Licensing and Regulatory Enforcement	1,047,300	12.3
Totals	34,561,040	342.1

Trends



PROGRAM DESCRIPTIONS

Warehouse Operations

This program involves management of the County's beverage alcohol warehouse and includes the purchase, receipt, and storage of over 14,000 different stock and special order items.

FY07 Recommended Changes

	Expenditures	WYs
FY06 Approved	6,282,760	66.9
FY07 CE Recommended	6,131,740	57.2

Delivery Operations

This program includes the distribution of distilled spirits, wine, and beer to licensed establishments and County retail stores.

FY07 Recommended Changes

- ☐ Add two additional Truck Driver/Warehouse Worker positions to ensure continued timely deliveries to wholesale and retail customers for a total of 38 truck drivers.

	Expenditures	WYs
FY06 Approved	5,083,200	72.7
FY07 CE Recommended	6,258,720	84.0

Retail Sales Operations

This program oversees sales of distilled spirits, wine, and beer to off-sale retail customers through the operation of retail stores (24 County-staffed and operated and one contractor operated) located throughout Montgomery County.

FY07 Recommended Changes

- ☐ Add two additional Clerk II positions to meet staffing requirements as a result of reverting two contract managed stores to County management for a total of 29 clerks.

	Expenditures	WYs
FY06 Approved	14,213,490	148.6
FY07 CE Recommended	15,350,990	150.6

Retail Contracted Operations

Article 2B of the Annotated Code of Maryland allows the County to hire contractors to operate County liquor stores. The County must retain title to all retail stock until sold. The County Council adopted Council Resolution No. 12-452 on November 12, 1991, mandating that the County contract with qualified contractors to operate selected stores. The Kensington, Muddy Branch, and the Pike sites were selected for contracting, and in the Fall of 1992, contractor staff replaced the County employees. In Fall 1994, the Flower Avenue store became a contractor-operated facility. In December 2000, the Kensington store reverted to County operation. State legislation allows the Director of the Department of Liquor Control to contract the operation of a retail outlet only with those persons who had a contract in effect on January 1, 1997. In fiscal year 2005, two of the three contractor operated facilities (Rockville Pike and Muddy Branch) reverted to County staffed and operated stores.

Flower Avenue remains as the sole contractor operated retail store.

FY07 Recommended Changes

	Expenditures	WYs
FY06 Approved	185,100	0.0
FY07 CE Recommended	190,650	0.0

Community Outreach

This program defines issues and strategies and monitors efforts with various agencies, departments, civic organizations, businesses, and individuals to provide and coordinate innovative programs and measures to ensure safe and vibrant communities relative to the service and consumption of beverage alcohol.

FY07 Recommended Changes

- ☐ Develop a more comprehensive and effective training program for retailers that serve and sell beverage alcohol.

	Expenditures	WYs
FY06 Approved	157,570	1.8
FY07 CE Recommended	223,250	2.0

Accounting and Inventory Systems

This program provides accounting and financial services for the department. Staff performs day-to-day accounting functions, special analysis and reporting, and the preparation and monitoring of the department's budget.

FY07 Recommended Changes

	Expenditures	WYs
FY06 Approved	1,915,310	19.1
FY07 CE Recommended	2,178,060	18.9

Information Management

This program provides for the design, operation, maintenance, and protection of all information technology initiatives of the department. These initiatives include the warehouse inventory system, the retail point-of-sale system, and numerous personal computer applications.

FY07 Recommended Changes

- ☐ Create a Report Writer position to maintain reporting requirements as a result of the IT systems upgrade.

	Expenditures	WYs
FY06 Approved	1,375,120	9.6
FY07 CE Recommended	2,411,170	14.6

Administration

This program provides overall direction, administration, and supervision for the department.

FY07 Recommended Changes

- ☐ Create a Property Assets Manager to oversee the liquor warehouse and 25 retail liquor stores, manage construction and renovations, and to oversee departmental assets.

	Expenditures	WYs
FY06 Approved	750,450	2.5
FY07 CE Recommended	769,160	2.5

Licensing and Regulatory Enforcement

This program includes issuing of beverage alcohol licenses; inspecting and investigating licensed facilities to ensure compliance with all applicable laws, rules and regulations; and holding hearings for issuance, fining, suspension or revocation of licenses.

FY07 Recommended Changes

- ☐ *The Office of the Board of License Commissioners will reorganize and become a division within the Department of Liquor Control, which will consolidate services and more closely match the national model.*

	Expenditures	WYs
FY06 Approved	0	0.0
FY07 CE Recommended	1,047,300	12.3

BUDGET SUMMARY

	Actual FY05	Budget FY06	Estimated FY06	Recommended FY07	% Chg Bud/Rec
LIQUOR CONTROL					
EXPENDITURES					
Salaries and Wages	13,232,547	14,342,490	14,342,490	16,426,240	14.5%
Employee Benefits	4,259,881	5,156,770	5,156,770	5,930,430	15.0%
Liquor Control Personnel Costs	17,492,428	19,499,260	19,499,260	22,356,670	14.7%
Operating Expenses	13,612,376	9,871,740	10,011,740	11,089,770	12.3%
Capital Outlay	2,884,170	592,000	1,423,000	1,114,600	88.3%
Liquor Control Expenditures	33,988,974	29,963,000	30,934,000	34,561,040	15.3%
PERSONNEL					
Full-Time	234	242	242	262	8.3%
Part-Time	55	60	60	63	5.0%
Workyears	293.2	321.2	321.2	342.1	6.5%
REVENUES					
Liquor Licenses	0	0	0	1,300,000	—
Miscellaneous/Investment Income	54,489	80,000	20,000	53,000	-33.8%
Operating Revenue	52,699,537	52,867,000	55,330,000	57,230,000	8.3%
Liquor License Application Fees	0	0	0	153,000	—
Liquor Enforcement Fines	0	0	0	204,500	—
Tobacco Enforcement Fines	0	0	0	20,000	—
Publication Sales - Alcohol Regulation	0	0	0	900	—
Fingerprint Processing Fee	0	0	0	9,000	—
Liquor Control Revenues	52,754,026	52,947,000	55,350,000	58,970,400	11.4%

FY07 RECOMMENDED CHANGES

	Expenditures	WYs
LIQUOR CONTROL		
FY06 ORIGINAL APPROPRIATION	29,963,000	321.2
Changes (with service impacts)		
Enhance: Create five IT positions to oversee and operate the IT systems upgrade [Information Management]	343,200	4.0
Enhance: Forms needed as a result of the new IT system to mark cases for scanning [Information Management]	140,000	0.0
Enhance: Create one Report Writer position to maintain the reporting requirements needed as a result of the IT systems upgrade [Information Management]	74,300	1.0
Enhance: Create a Property and Asset Manager to oversee the liquor warehouse and 25 retail liquor stores, manage construction and renovations, and oversee departmental assets [Administration]	70,938	0.8
Enhance: Create two Truck Driver/Warehouse Worker positions to ensure timely deliveries to licensees for a total of 38 truck drivers [Delivery Operations]	67,692	1.6
Enhance: Create two Clerk II positions needed as a result of reverting two stores to County management for a total of 29 clerks [Retail Sales Operations]	64,980	1.6
Other Adjustments (with no service impacts)		
Shift: Reorganize the Board of License Commissioners to become a division within the Department of Liquor Control [Licensing and Regulatory Enforcement]	1,043,070	12.3
Increase Cost: FY07 Compensation	743,740	0.0
Increase Cost: IT Support [Information Management]	486,500	0.0
Increase Cost: Relocate existing store [Retail Sales Operations]	415,000	0.0
Increase Cost: Group Insurance Adjustment	318,360	0.0
Increase Cost: Annualization of FY06 Personnel Costs	222,970	0.0
Increase Cost: Retail store leases [Warehouse Operations]	193,420	0.0
Increase Cost: Warehouse Debt Service [Warehouse Operations]	190,000	0.0
Increase Cost: Non-professional services	175,550	0.0
Increase Cost: Two Delivery Trucks [Delivery Operations]	170,000	0.0
Increase Cost: Utilities	163,000	0.0
Increase Cost: Retirement Adjustment	130,990	0.0
Increase Cost: Motor pool	96,790	0.0
Increase Cost: IT Maintenance [Information Management]	65,600	0.0
Increase Cost: Annualization of FY06 Lapsed Positions	32,780	0.6

	Expenditures	WYs
Increase Cost: IT Training for the IT systems upgrade [Information Management]	30,000	0.0
Increase Cost: Supplies and materials	15,010	0.0
Increase Cost: Purchase Oracle Licenses for IT systems upgrade [Information Management]	15,000	0.0
Increase Cost: New store and building improvements [Retail Sales Operations]	10,000	0.0
Increase Cost: Records Management Fee	5,320	0.0
Decrease Cost: Communications services	-19,300	0.0
Decrease Cost: Net Miscellaneous Operating Expenses	-25,600	0.0
Decrease Cost: Education and training	-45,130	0.0
Shift: Transfer IT Specialist Position to DTS [Information Management]	-113,360	-1.0
Decrease Cost: Elimination of One-Time Items Approved in FY06	-150,640	0.0
Decrease Cost: Charges from other departments	-332,140	0.0
FY07 RECOMMENDED:	34,561,040	342.1

FUTURE FISCAL IMPACTS

Title	CE REC. FY07	FY08	FY09	(S000's) FY10	FY11	FY12
This table is intended to present significant future fiscal impacts of the department's programs.						
LIQUOR CONTROL						
Expenditures						
FY07 Recommended	34,561	34,561	34,561	34,561	34,561	34,561
No inflation or compensation change is included in outyear projections.						
Annualization of Positions Recommended in FY07	0	120	120	120	120	120
New positions in the FY07 budget are generally assumed to be filled at least two months after the fiscal year begins. Therefore, the above amounts reflect annualization of these positions in the outyears.						
Elimination of One-Time Items Recommended in FY07	0	-215	-215	-215	-215	-215
Items recommended for one-time funding in FY07, including; new store building improvements, IT training for systems upgrade, 2 new trucks, and records management fee, will be eliminated from the base in the outyears.						
Labor Contracts	0	302	302	302	302	302
These figures represent the annualization of FY07 increments, general wage adjustments, and associated benefits.						
Controlled Environment Beer Warehouse - Debt	0	1,360	1,360	1,360	1,360	1,360
Service Transfer						
This is the debt service for the controlled environment beer warehouse expansion that is programmed to begin in FY07.						
New Retail Store in Each Year, FY08 - FY12 - Sites to be Determined	0	415	830	1,245	1,660	2,075
Retail Store Leases	0	194	378	580	793	1,015
The leases for 25 retail stores include annual escalation clauses and it is estimated that FY08 rental expenses will increase by 5%.						
Temperature Controlled Liquor Warehouse	0	259	262	262	262	262
These figures represent the impacts on the Operating Budget (maintenance, utilities, staff) of projects included in the County Executive's FY07-12 Recommended Capital Improvements Program.						
Subtotal Expenditures	34,561	36,995	37,597	38,214	38,842	39,479

FY07-12 PUBLIC SERVICES PROGRAM: FISCAL PLAN				LIQUOR CONTROL			
FISCAL PROJECTIONS	FY06 ESTIMATE	FY07 REC	FY08 PROJECTION	FY09 PROJECTION	FY10 PROJECTION	FY11 PROJECTION	FY12 PROJECTION
ASSUMPTIONS							
Property Tax Rate: Real Property	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Assessable Base: Real Property (000)	-	-	-	-	-	-	-
Property Tax Collection Factor: Real Property	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Property Tax Rate: Personal Property	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Assessable Base: Personal Property (000)	-	-	-	-	-	-	-
Property Tax Collection Factor: Personal Property	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Indirect Cost Rate	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
CPI (Fiscal Year)	3.7%	2.6%	2.6%	2.7%	2.7%	2.7%	2.7%
Investment Income Yield	0.0415	0.0455	0.0465	0.047	0.048	0.0485	0.049
Net Sales Increase Per Year	0	0	0.045	0.045	0.045	0.045	0.045
BEGINNING FUND BALANCE	3,620,788	7,338,030	8,768,230	9,839,200	13,059,810	18,568,770	26,487,940
REVENUES							
Licenses & Permits	0	1,453,000	1,490,780	1,531,030	1,572,360	1,614,810	1,658,410
Charges For Services	0	9,900	10,150	10,420	10,710	11,000	11,300
Fines & Forfeitures	0	224,500	230,340	236,560	242,950	249,510	256,250
Miscellaneous	55,350,000	57,283,000	59,858,350	62,549,591	65,361,937	68,300,840	71,371,992
Subtotal Revenues	55,350,000	58,970,400	61,589,620	64,327,601	67,187,957	70,176,160	73,297,952
INTERFUND TRANSFERS (Net Non-CIP)	(20,698,760)	(22,979,160)	(25,455,930)	(25,629,270)	(25,786,280)	(25,949,270)	(25,949,270)
Transfers To Debt Service Fund	0	(190,000)	(1,550,000)	(1,550,000)	(1,550,000)	(1,550,000)	(1,550,000)
Long Term Leases-Warehouse	0	(190,000)	(1,550,000)	(1,550,000)	(1,550,000)	(1,550,000)	(1,550,000)
Transfers To The General Fund	(20,698,760)	(22,789,160)	(23,905,930)	(24,079,270)	(24,236,280)	(24,399,270)	(24,399,270)
Indirect Costs	(1,949,930)	(2,235,670)	(2,265,870)	(2,265,870)	(2,265,870)	(2,265,870)	(2,265,870)
Earnings Transfer	(18,748,830)	(20,440,130)	(21,640,060)	(21,813,400)	(21,970,410)	(22,133,400)	(22,133,400)
TOTAL RESOURCES	38,272,028	43,329,270	44,901,920	48,537,531	54,461,487	62,795,660	73,836,622
PSP OPER. BUDGET APPROP/ EXP'S.							
Operating Budget	(30,934,000)	(34,561,040)	(34,561,040)	(34,561,040)	(34,561,040)	(34,561,040)	(34,561,040)
Labor Agreement	n/a	0	(302,000)	(302,000)	(302,000)	(302,000)	(302,000)
One Time Items	n/a	n/a	215,320	215,320	215,320	215,320	215,320
New Stores	n/a	n/a	(415,000)	(830,000)	(1,245,000)	(1,660,000)	(2,075,000)
Subtotal PSP Oper Budget Approp / Exp's	(30,934,000)	(34,561,040)	(35,062,720)	(35,477,720)	(35,892,720)	(36,307,720)	(36,722,720)
OTHER CLAIMS ON FUND BALANCE	0	0	0	0	0	0	0
TOTAL USE OF RESOURCES	(30,934,000)	(34,561,040)	(35,062,720)	(35,477,720)	(35,892,720)	(36,307,720)	(36,722,720)
YEAR END FUND BALANCE	7,338,030	8,768,230	9,839,200	13,059,810	18,568,770	26,487,940	37,113,900
END-OF-YEAR RESERVES AS A PERCENT OF RESOURCES	19.2%	20.2%	21.9%	26.9%	34.1%	42.2%	50.3%

Assumptions:

1. Ending cash balance = One month's Operating Expenses, One Payroll, and \$1.5M for inventory.
2. Net Sales growth estimated at 4.5% per year.
3. Operating Revenue growth estimated at 4.5% per year.
4. Operating Expenses grow with Major Known Commitments and not CPI.
5. Relocating one store in FY07. No new stores added.
6. The labor contract with the Municipal and County Government Employees Organization, Local 1994 expires at the end of FY07.
7. The transfer to debt service of \$190,000 in FY07 and \$1,550,000 in FY08-12 is for the Temperature Controlled Warehouse expansion that is programmed to begin in FY07.
8. The Office of the Board of License Commissioners (BLC) has been reorganized to become a division within the Department of Liquor Control (DLC) and DLC's FY07 Fiscal plan reflects BLC's revenues and expenditures.